

## Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-12 SP-03 AID-05 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 GSA-02 INT-08 PA-04 PRS-01 USIE-00 SSO-00

NSCE-00 INRE-00 /138 R

DRAFTED BY ARA/CAR/G:DCNORTON:RC

APPROVED BY ARA/CAR:JRBURKE

ARA/PAF:WDIEDRICH

EB/IFD/OIA:DSTEBBING

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FM SECSTATE WASHDC

TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

INFO AMEMBASSY KINGSTON PRIORITY

AMCONSUL PARAMARIBO

AMEMBASSY SANTO DOMINGO

AMEMBASSY PORT AU PRINCE

UNCLAS STATE 218138

E.O. 11652: N/A

TAGS: EMIN EINV GY

SUBJECT: REYNOLDS-GOG INVESTMENT DISPUTE

1. NEWYORK TIMES EDITION OF OCTOBER 3 CARRIES FOLLOWING  
REPORT ENTITLED "REYNOLDS MAY ABANDON ITS GUYANA BAUXITE  
PLANT."

BEGIN TEXT

"1. THE REYNOLDS METALS COMPANY IS REPORTEDLY ABANDONING  
ITS 20 MILLION DOLLARS BAUXITE FACILITY IN GUYANA ON THE  
NORTHEAST COAST OF SOUTH AMERICA.

2. THE MOVE IS APPARENTLY BEING MADE TO AVOID POSSIBLE

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FINES OF 75,000 DOLLARS OR THREE YEARS IMPRISONMENT FOR

COMPANY EXECUTIVES IF REYNOLDS FAILS TO MEET PAYMENT ON SATURDAY OF A NEW LEVY OF 11.16 DOLLARS A TON ON BAUXITE PRODUCED IN GUYANA. REYNOLDS' PAYMENT FOR THE FULL YEAR HAS BEEN ESTIMATED AT 15 MILLION DOLLARS.

3. REPORTS FROM GEORGETOWN, THE CAPITAL, SAID THAT GEORGE WAGNER, REYNOLDS' GENERAL MANAGER AND TWO ACCOUNTANTS AND THEIR FAMILIES HAVE ALREADY LEFT THE COUNTRY.

4. A SPOKESMAN FOR REYNOLDS IN RICHMOND, VA., SAID THAT MR. WAGNER HAD BEEN CALLED IN FOR CONSULTATION ON THE SITUATION IN GUYANA.

5. A SPOKESMAN FOR THE GUYANA GOVERNMENT HERE DENIED "EMPHATICALLY" THAT REYNOLDS PERSONNEL FACED FINES OR IMPRISONMENT. HE ACKNOWLEDGED THAT THERE IS PROVISION FOR SUCH ACTION IN THE LAWS OF THE NATION BUT INSISTED THAT REYNOLDS OFFICIALS AND OTHERS HAD BEEN INFORMED DIRECTLY THAT THE LAW WOULD NEVER BE ENFORCED AND COULD BE COMPLETELY IGNORED.

6. LAST WEEK THE GUYANA GOVERNMENT IMPOSED THE 11.16 DOLLARS A TON BAUXITE LEVY AND SET A DEADLINE OF OCT 5 FOR PAYMENT OF ONE HALF OF THE TOTAL OWNED BY REYNOLDS. THE THIRD QUARTER LEVY WOULD BE DUE ON OCT 10 AND

THE FINAL QUARTER PAYMENT AT YEAREND BASED ON TOTAL

OUTPUT. THE OLD TAX WAS 68 CENTS A TON.

7. REYNOLDS SAID YESTERDAY THAT IT HAD PLANNED TO PROCURE 930,000 TONS OF BAUXITE AT THE FACILITY, OF WHICH 615,000 WOULD BE OF METALLURGICAL QUALITY USED IN THE PRODUCTION OF ALUMINUM AND THE REMAINING 315,000 TONS FOR CALCINES AND CHEMICAL USAGE. THE COMPANY HAS BEEN OPERATING ITS REYNOLDS (GUYANA) MINES, LTD., SINCE 1952. IT ACCOUNTS FOR ABOUT 10 PERCENT OF THE COMPANY'S TOTAL BAUXITE REQUIREMENTS.

8. LAST WEEKEND, HUBERT O. JACK, MINISTER OF ENERGY AND UNCLASSIFIED

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NATURAL RESOURCES, SAID THE TOTAL OWNED BY REYNOLDS HAD BEEN NEGOTIATED DOWNWARD TO 7 MILLION DOLLARS. THE GOVERNMENT SPOKESMAN HERE SAID THAT ABOUT A YEAR AGO GUYANA HAD OFFERED REYNOLDS A PARTNERSHIP ARRANGEMENT WITH THE GOVERNMENT OWNING 51 PER CENT OF THE FACILITY INSTEAD OF NATIONALIZING THE FACILITY UNDER ITS DIMINISHING RESOURCES LAW. HE SAID REYNOLDS "STILL HAS THE OPTION TO ACCEPT THAT OFFER BY SATURDAY."

9. HE INSISTED FURTHER THAT PASSAGE OF THE 11.16 DOLLARS LEVY LAST WEEK "HAD NOTHING TO DO WITH PLANS FOR NATIONALIZING THE PROPERTY.

10. THE LEVY AND THE PLANS FOR TAKING OVER THE PROPERTY WERE FIRST MADE PUBLIC LAST JULY IN A SPEECH BY THE PRIME MINISTER, L. F. S. BURNHAM. ABOUT THREE AND A HALF YEARS AGO GUYANA TOOK OVER THE DEMBA BAUXITE OPERATIONS OF ALCAN ALUMINUM LTD., THEY ARE NOW OPERATED AS THE GUYBAU FACILITY OF THE GOVERNMENT.

11. LAST MARCH, RICHARD S. REYNOLDS JR., SAID HE WAS "WATCHING ANXIOUSLY" A MEETING OF BAUXITE PRODUCING NATIONS BEING HELD AT CONAKRY, GUINEA, TO SEE WHAT ACTION IT MIGHT PROMPT THE GUYANA GOVERNMENT TO UNDERTAKE. HE SAID THEN THAT HE EXPECTED THE PRODUCING NATIONS WOULD ONLY RAISE PRICES AND NOT ATTEMPT AN EMBARGO AS THE OIL PRODUCING NATIONS DID "BECAUSE EACH OF THE BAUXITE PRODUCERS LACK THE TOTAL PACKAGE OF FACILITIES REQUIRED FOR PRODUCING ALUMINUM, THE PRODUCT MOST SOUGHT AFTER BY CONSUMING NATIONS."

12. GUYANA DERIVES 40 PER CENT OF ITS FOREIGN EXCHANGE AND 14.6 PER CENT OF ITS GROSS DOMESTIC PRODUCT FROM BAUXITE.

13. THE GOVERNMENT CHARGED THAT IN 1970 IT EARNED 93 CENTS FOR EVERY TON OF BAUXITE MINED BY REYNOLDS BUT THIS HAD DROPPED TO 68 CENTS IN 1973, OR A TOTAL DECREASE OF \$407,500, WHILE THE SAME TIME THE PRICE OF ALUMINUM HAD RISEN FROM 20 CENTS A POUND TO 40 CENTS.

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14. MEANWHILE, REPRESENTATIVES OF THE JAMAICAN GOVERNMENT MET TUESDAY AT KINGSTON WITH OFFICIALS OF THE MAJOR BAUXITE AND ALUMINA PRODUCERS IN A RESUMPTION OF TALKS THAT BROKE OFF LAST APRIL BEFORE JAMAICA RAISED ITS TAXES BY 500 PER CENT. THE NEW ROUND OF TALKS ARE SAID TO DEAL WITH JAMAICA'S INTEREST IN BUYING 230,000 ACRES OF LAND HELD BY SIX AMERICAN AND CANADIAN COMPANIES.

15. JAMAICA IS THE WORLD'S SECOND LARGEST SUPPLIER OF BAUXITE AND FIRST IN EXPORTS OF THE ORE. IT SUPPLIES TWO THIRDS OF THE BAUXITE USED IN THIS COUNTRY."

END TEXT.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Draft Date:** 03 OCT 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Review Exemptions:** n/a  
**Review History:** RELEASED <05 MAR 2002 by chappeld>; APPROVED <06 FEB 2003 by cunninfx>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** REYNOLDS-GOG INVESTMENT DISPUTE  
**TAGS:** EMIN, EINV, GY, REYNOLDS  
**To:** GEORGETOWN  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005